

Message Text

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ORIGIN EA-12

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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

S E C R E T STATE 289478

E.O. 11652: GDS

TAGS: ECON, EFIN, ETRD, JA, US

SUBJECT: LETTER TO STR COUNSELOR RIVERS FROM YOSHIKANE IWASA

1. FYI. FOLLOWING IS TEXT OF LETTER SENT TO STR COUNSELOR RICHARD RIVERS BY KEIDANREN VICE PRESIDENT YOSHIKANE IWASA.
2. BEGIN TEXT: DEAR MR. RIVERS:
3. THE MEETING WITH YOU THE OTHER DAY WAS FOR US QUITE MEANINGFUL. I AM IN COMPLETE AGREEMENT WITH YOU THAT SAVING WORLD TRADE FROM PROTECTIONIST TENDENCIES IS A COMMON INTEREST OF THE ENTIRE FREE WORLD.
4. ALSO, AS TO THE TWO KINDS OF EFFORTS REQUIRED OF JAPAN TO REALIZE THE DESIRED OBJECTIVE OF BRINGING OUR CURRENT ACCOUNT TO DEFICIT, NAMELY THE EXPANSION OF DOMESTIC DEMAND AND WIDENED ACCESS TO IMPORTS, I BELIEVE THAT THE BASIC ORIENTATION OF OUR EFFORTS IS QUITE IN LINE WITH THE US DESIRE.
5. THE JAPANESE ECONOMY TODAY IS SUFFERING FROM AN ABNOR-

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MALLY LOW RATIO OF OPERATION IN MOST MANUFACTURING SECTORS.
OBVIOUSLY THE PRESSURE FOR EXPORTS IS STRONG.

6. THE FIRST AND FOREMOST POLICY OF THE NEW GOVERNMENT IS A DRASTIC REFLATION OF DOMESTIC DEMAND AND WE, AT KEIDANREN, ARE ASKING THE GOVERNMENT TO MAKE UTMOST EFFORTS TO THIS END. WE STRONGLY EXPECT TO SEE THE PRESSURE FOR EXPORTS

TO BE ABSORBED BY EXPANDED DOMESTIC DEMAND CAUSING AN INCREASE IN IMPORTS.

7. I AM PLEASED TO BE ABLE TO INFORM YOU THAT WE ARE REQUESTING THE GOVERNMENT TO TAKE THE FOLLOWING SET OF MEASURES TO WIDEN ACCESS TO IMPORTS SO THAT THE EXPANSION OF DOMESTIC DEMAND WOULD LEAD TO INCREASED IMPORTS.

8. (A) ADVANCE IMPLEMENTATION OF THE TOKYO ROUND TARIFF CUT

9. ADVANCE INSTALLMENT BY AT LEAST ABOUT ONE-HALF, IN PRINCIPLE, OF THE SCHEDULED LEVEL OF TARIFF CUTS OF ABOUT 40 PERCENT FOR THE TOKYO ROUND SHOULD BE MADE AND FURTHER CONSIDERATION SHOULD BE PAID TO THE ITEMS OF PARTICULAR INTEREST TO THE US AND OTHER MAJOR TRADING PARTNERS.

10. (B) LIBERALIZATION OF RESIDUAL IMPORT RESTRICTIONS

11. ALTHOUGH PROTECTIVE DEVICES AGAINST AGRICULTURAL IMPORTS EXIST IN ALL COUNTRIES, JAPAN SHOULD TAKE INITIATIVE FOR LIBERAL TRADE BY IMMEDIATELY LIBERALIZING A FEW ITEMS, EITHER FULLY OR PARTIALLY, LATER TO BE FOLLOWED UP BY FURTHER STEPS FOR LIBERALIZATION, TO HALVE THE PRESENT NUMBER OF QUOTAS (27 ITEMS) WITHIN A FEW YEARS.....(BY ABOUT THE END OF THE FISCAL YEAR 1979). THE REMAINING
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ITEMS SHOULD BE THE TARGET OF EFFORTS FOR EXPANSION OF QUOTAS, IN PRINCIPLE, TO DOUBLE THE PRESENT VOLUME WITHIN A COUPLE OF YEARS.

12. (C) WIDER ACCESS TO GOVERNMENT PURCHASE FOR FOREIGN BIDDERS

13. FOREIGN ENTERPRISES SHOULD BE ALLOWED MORE FREELY TO PARTICIPATE IN THE BIDDINGS FOR PROCUREMENT BY GOVERNMENT AGENCIES AND RELATED PUBLIC CORPORATIONS. THE METHOD OF PUBLIC NOTIFICATION SHOULD BE IMPROVED.

14. (D) RELAXATION OF THE STANDARD SETTLEMENT REQUIREMENTS

15. THOUGH IMMEDIATE AND TOTAL ABOLITION OF THE REQUIREMENTS INVOLVES DIFFICULT PROBLEMS, THERE SHOULD BE PROMPT MODIFICATIONS, WHERE PRACTICABLE, AND THE REQUIREMENTS SHOULD BE REMOVED EVENTUALLY.

16. (E) US-JAPAN COOPERATION AT GOVERNMENT/BUSINESS LEVELS

FOR THE EXPANSION OF INDUSTRIAL IMPORTS

17. SPECIFIC MEASURES TO EXPAND INDUSTRIAL IMPORTS SHOULD BE EXPLORED THROUGH VARIOUS MACHINERY ESTABLISHED BETWEEN JAPAN AND THE US, SUCH AS THE US-JAPAN TRADE FACILITATION COMMITTEE. ON THE BASIS OF REDOUBLED EFFORTS BY THE OVERSEAS MANUFACTURERS AND EXPORTERS THEMSELVES, AND UPON THEIR COORDINATED ACTIONS WITH THE GOVERNMENTS AND PRIVATE CIRCLES OF OUR TWO COUNTRIES, WE SHOULD EXTEND STRONG LATERAL SUPPORT FROM GOVERNMENTS AND BUSINESS COMMUNITIES TO REALIZE THEIR OBJECTIVE.

18. (F) EXPANSION OF IMPORT FINANCING BY THE JAPANESE EXIM.

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19. IMPORT FINANCING OF THE EXIM SHOULD BE EXPANDED SO THAT IMPORTATION OF HEAVY CAPITAL GOODS AND OTHERS FROM THE U.S. AND ELSEWHERE WOULD BE STIMULATED.

20. (G) EXPANSION OF DEVELOPMENT AID

21. OFFICIAL DEVELOPMENT ASSISTANCE SHOULD BE MORE THAN DOUBLED IN FIVE YEARS AND THE AID SHOULD BE UNTIED.

22. WE BELIEVE THAT IMPORT RESTRICTIVE DEVICES SHOULD BE REMOVED AS MUCH AS POSSIBLE, BY THESE ACTIONS IN THE INTEREST OF ECONOMIC EFFICIENCY AND INTERNATIONAL COOPERATION, AS WELL AS IN THE CONSUMER'S INTEREST. ANY ADVERSE IMPACTS CAUSED THEREFROM SHOULD BE SOLVED BY SUCH DOMESTIC MEASURES AS ADJUSTMENT SUBSIDIES, EXTENSION OF CREDIT FOR MODERNIZATION, RATIONALIZATION AND TRANSFERS AND SCRAPPING OF BUSINESS, RETRAINING ALLOWANCE FOR WORKERS, ETC.

23. WE EARNESTLY BELIEVE THAT THESE MEASURES, COMBINED WITH A REDUCTION OF THE CURRENT ACCOUNT DEFICITS AND A DECREASE IN THE UNEMPLOYMENT RATE IN THE US BY ENFORCEMENT OF THE ENERGY POLICY AND OTHER MEASURES BY THE US ITSELF, WILL ENCOURAGE THE LIBERAL TRADE FORCES WITHIN THE US AND PREVENT FURTHER SPREAD OF PROTECTIONISM CONFRONTING BOTH OF OUR TWO COUNTRIES TODAY AND THUS BRING ABOUT THE SMOOTH MAINTENANCE AND EXPANSION OF THE WORLD ECONOMY. YOURS SINCERELY, YOSHIKAZU IWASA. END TEXT. VANCE

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